

**CITY OF CAYCE MUNICIPAL COURT
CAYCE, SOUTH CAROLINA**

**State Auditor's Report
April 30, 2006**

**CITY OF CAYCE MUNICIPAL COURT
CAYCE, SOUTH CAROLINA**

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State of South Carolina



Office of the State Auditor

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DEPUTY STATE AUDITOR

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September 13, 2006

The Honorable Mark Sanford, Governor
State of South Carolina
Columbia, South Carolina

The Honorable Pamela Smith, Clerk of Court
City of Cayce
Cayce, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the City of Cayce Municipal Court for the period May 1, 2005 through April 30, 2006, was issued by Cline Brandt Kochenower & Co., P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/trb

CLINE BRANDT KOCHENOWER
& Co., P.A.
Certified Public Accountants

Richard H. Gilbert, Jr., CPA
Deputy State Auditor
Office of the State Auditor
Columbia, South Carolina

We have performed the procedures described below which were agreed to by the South Carolina Office of the State Auditor solely to assist these users in evaluating the performance of the City of Cayce Municipal Court System and to assist the South Carolina Office of the State Auditor in complying with the 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. Pamela Smith, Clerk of Court for the City of Cayce is responsible for compliance with the requirements for the Municipal Court reporting and the South Carolina Office of the State Auditor is responsible for compliance with the requirements of the 2005 - 2006 General Appropriations Act (H. 3716) Section 72.86. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. TIMELY REPORTING BY THE CLERK OF COURT

- We researched South Carolina Code of Laws Section 14-25-85 to determine the definition of timely reporting with respect to the Clerk of Court's responsibility for reporting fines, fees and assessments to the Municipal Treasurer.
- We inquired of the South Carolina Judicial Department to determine their requirements for both the manner in which partial pay fines and fees are to be allocated and the timing of the report and remittance submissions by the Clerk and the Treasurer.
- We inquired of the Clerk of Court and Municipal Treasurer to gain an understanding of their policy for ensuring timely reporting and to determine how the treasurer specifically documents timeliness.
- We inspected documentation, including the Clerk of Court Remittance Forms or equivalents for the months of May 1, 2005 through April 30, 2006 to determine if the Clerk of Court submitted the reports to the municipal treasurer in accordance with the law.

We found no exceptions as a result of the procedures.

2. TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY

- We traced each month's reporting by the Clerk of Court to the Municipal Treasurer's Office and to the City's general ledger accounts for the assessments (Sections 14-1-208(A), (B) and (D)) and victim's assistance surcharge (Section 14-1-211) for the period May 1, 2005 to April 30, 2006.
- We compared the amounts reported on the Clerk of Court Remittance Forms or equivalents to the Clerk of Court's software system-generated report summaries for three judgmentally determined test months. We tested the system-generated reports for compliance with various laws including Section 35.11 of the General Appropriations Act for the fiscal year 2005 - 2006 and with South Carolina Judicial Department training instructions and interpretations.
- We judgmentally selected and compared individual fine and assessment amounts recorded in the Clerk of Court's software system-generated detail reports to the Judicial Department guidelines' range for the offense code to see if the fine and assessment were within the minimum and maximum range.

Our finding is reported under, "TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY" in the Accountants' Comments section of this report.

3. PROPER VICTIM'S ASSISTANCE FUNDS ACCOUNTING

- We inquired as to the format determined by City council and local policy for record keeping as it relates to fines and assessments in accordance with Section 14-1-208(E)(4).
- We compared the fiscal year-ended June 30, 2005 audited Victims' Rights Fund fund balance with all adjustments to the fund balance shown in the Schedule of Fines, Assessments and Surcharges on page 74 of the audited financial statement and to the beginning fund balance as adjusted in that fund for fiscal year 2005.
- We judgmentally selected a sample of Victim's Rights Fund reimbursable expenditures and verified that these expenditures were in compliance with Section 14-1-208(E) and Section 14-1-211(B).

Our findings are reported under "PROPER VICTIM'S ASSISTANCE FUNDS ACCOUNTING" title in the Accountants' Comments section of this report.

4. TIMELY ACCURATE REPORTING TO THE STATE TREASURER

- We vouched the amounts reported in the South Carolina State Treasurer's Revenue Remittance Forms to Clerk of Court Remittance Forms or equivalents for the period May 1, 2005 to April 30, 2006.
- We scanned the South Carolina State Treasurer's Revenue Remittance Forms for timely filing in accordance with Section 14-1-208(B).
- We traced amounts recorded in the City's financial statement Schedule of Fines, Assessments and Surcharges on page 74 of the year ended June **30**, 2005 report related to fines and assessments revenues reporting in accordance with Section 14-1-208(E) to supporting schedules used in the audit to comply with Section 14-1-208(E).
- We traced and agreed amounts in the supporting schedules to the Clerk of Court Remittance Forms or South Carolina State Treasurer's Revenue Remittance Forms.

Our finding is reported under "TIMELY ACCURATE REPORTING TO THE STATE TREASURER" in the Accountants' Comments section of this report.

We were not engaged to, and did not conduct an audit the objective of which would be the expression of an opinion on compliance with the collection and distribution of court generated revenue at any level of court for the twelve months ended April 30, 2006 and, furthermore, we were not engaged to express an opinion on the effectiveness of the internal controls over compliance with the laws, rules and regulations described in paragraph one and the procedures of this report. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of the State Auditor, Chairmen of the House Ways & Means Committee, Senate Finance Committee, House Judiciary Committee, Senate Judiciary Committee, State Treasurer, Office of Victim Assistance, Chief Justice and the Governor and is not intended to be and should not be used by anyone other than these specified parties.



July 26, 2006

ACCOUNTANTS ☐ **COMMENTS**

CITY OF CAYCE MUNICIPAL COURT
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MATERIAL WEAKNESSES AND OR VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

The procedures agreed to by the agency require that we plan and perform the engagement to obtain reasonable assurance about whether noncompliance with the requirements of State Laws, Rules, or Regulations occurred and whether internal accounting controls over certain transactions were adequate. Management of the entity is responsible for establishing and maintaining internal controls. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Therefore, the presence of a material weakness or violation will preclude management from asserting that the entity has effective internal controls.

The conditions described in this section have been identified as material weaknesses or violations of State Laws, Rules, or Regulations.

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TIMELY ACCURATE RECORDING AND REPORTING BY THE CITY

ADHERENCE TO JUDICIAL DEPARTMENT FINE GUIDELINES

CONDITION: The Municipal Court Judges were not adhering to the Judicial Department minimum fine guidelines included in legislation. By not assessing the minimum fines as required in the legislation, the City is not complying with the law.

CRITERIA: Judicial Department Guidelines for Fines – Minimums and Maximums. These guidelines are obtained from the minimum and maximum fines recorded in the respective legislations.

CAUSE: It appears that the City's software fine table had not been updated to reflect changes in the minimum and maximum fine limits. Some of the errors occurred in the speeding violations and the descriptions that the fine table gave were outdated. For instance, the current Section 56-5-1520 speeding categories are 1-10 mph over, 11-15 mph over, 16-25 mph over and 25 mph and over. The City's descriptions had –10 to –25 mph over. It appears that the other category designations may not have been updated.

EFFECT: The City's fines were not set at the maximum or minimum amounts set by the respective laws. In the case of an amount assessed by the judge below the minimum the City must reallocate according to the law and thus the fine amount that the city keeps is reduced below the minimum. When the judge assesses a fine above the maximum they will also allocate according to the law and the fine portion will be above the maximum..

AUDITORS' RECOMMENDATION

We recommend the City contact the software vendor to modify the software to account for the changes in the fine limits and categories. Once the vendor has made the modification to the software the City should test it to ensure that it properly charges fines between the legislated minimum and maximums before accepting the modification from the vendor. In addition, the City should determine the extent of the error and make the necessary adjustments to its accounting system to properly distribute the fine pullouts and drug surcharges. This would include revising reports made to the State Treasurer's Office. These changes should occur as soon as possible. The City's external auditor should issue a separate report opining on the City's determination.

PROPER VICTIMS' ASSISTANCE FUNDS ACCOUNTING

UNALLOWABLE CHARGES TO THE VICTIMS' ASSISTANCE FUNDS

CONDITION 1: The City has charged the –1,000 audit schedule fee to the Victims' Assistance money. This is not an allowable victims' assistance expense.

CRITERIA: S.C. Code of Laws Section 14-1-208(E)(3). The City may retain and pay from the fines and assessments collected pursuant to this section the actual expense charged by the external auditor for the preparation of the supplemental schedule required in this subsection, not to exceed one thousand dollars each year.

CAUSE: The City charged the cost to the Victims' Assistance portion of the assessment and not the State assessment portion. They charged the audit cost where the auditor's invoice suggested they charge it.

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EFFECT: The City has charged the Victims' Assistance fund for the unallowable audit cost. This has occurred for the last several years. During the procedures period the City charged \$2,000 to the Victims' Assistance fund.

AUDITORS' RECOMMENDATION

The City should reimburse the Victims' Fund for the \$2,000 unallowable costs it charged the fund. The City may be able to receive reimbursement from the State Treasurer's Office for up to \$1,000 per audit after submission of the proper reimbursement request.

CONDITION 2: The City has charged the 100% of the monthly fee for internet access to the to the Victims' Assistance account. This is not appropriate because other departments have access to the line and use it for other purposes.

CRITERIA: S.C. Code of Laws Section 14-1-208(D). Section (D) states "These funds must be appropriated for the exclusive purpose of providing victim services as required by Article 15 of Title 16. Allowable expenses are those for providing direct victims' services."

CAUSE: The City was unaware that others used the internet connection they thought was reserved only for Victims' Assistance.

EFFECT: There was no method of allocation in place so Victims' Assistance paid for all of the internet usage while other departments and entities benefited from the internet service without paying for the benefit.

AUDITORS' RECOMMENDATION

The City should develop and implement a plan to equitably allocate the cost of internet access to all departments that use the service.

TIMELY ACCURATE REPORTING TO THE STATE TREASURER

TIMELY REPORTING BY THE CITY

CONDITION: Eleven of the City's State Treasurer's Revenue Remittance Forms for the procedures period of May 1, 2005 through April 30, 2006 were not timely filed. The June 2005 report was on time, the remaining reports were from seven to sixteen days late.

CRITERIA: South Carolina Code of Laws Section 14-1-208(B) states "The city treasurer must remit 12 percent of the revenue generated by the assessment imposed in subsection (A) to the municipality to be used for the purposes set forth in subsection (D) and remit the balance of the assessment revenue to the State Treasurer on a monthly basis by the fifteenth day of each month and make reports on a form and in a manner prescribed by the State Treasurer."

CAUSE: The City does not document the date that it files the State Treasurer's Revenue Remittance Form. To determine if the city submitted the reports timely we used the check date to determine when the reports were submitted.

EFFECT: Since the City does not document the date it submits the report it can not demonstrate that it is complying with the law. Furthermore, since the check was generally dated after the report due date, it is apparent that the City is not monitoring its compliance with the law.

AUDITORS' RECOMMENDATION: We recommend the City develop and implement procedures to ensure compliance with the law. The procedures should include dating the remittance forms to document the date of submission. It should also include periodic monitoring by someone independent but familiar with the process to ensure that reports are being submitted timely as defined by State law.



CITY OF CAYCE

September 6, 2006

Mayor
Avery B. Wilkerson, Jr.

Mayor Pro-tem
Richard N. Myers

Council Members
James E. Jenkins
Kenneth D. Jumper
Robert E. Malpass

City Manager
John C. Sharpe

Public Safety
Charles E. McNair

Cline Brandt Kochenower & Co., P.A.
PO Box 848
1225 West Floyd Baker Blvd.
Gaffney, SC 29342

Re: State Auditor's Report

Dear Sirs:

In response to you audit of the City of Cayce Victim's Assistance Program, I would like to offer the following responses to the Accountant's Comments.

■ **Timely Accurate Recording and Reporting**

The City of Cayce will contact its software vendor to update the minimum and maximum fines as needed. However, I would like to point out that if notification of the minimum and maximum fines were approved by State legislation, this information was not communicated to the City Manager's office. Please send this documentation to me immediately. In addition, if this information was provided to the City of Cayce, please provide the date, name and address to who it was sent.

• **Proper Victim's Assistance Funds Accounting**

While State law 14-1-208 (E)(3) is not clear as to whether such audit costs and fees (which are allowable) should be charged to the fines and assessments submitted to the State Treasurer, or retained by the Fund from its portion of the fines and assessments, the City agrees to invoice the State Treasurer for "over" remittances of prior year audit fees and will deduct from future remittances the annual audit fees. I would request that I be provided in writing with a "Standard Operating Procedure" to handle this matter in accordance with what the City of Cayce was told and instructed to do.

The City of Cayce agrees to dedicate the internet access to the to the Victim's Assistance Program solely.

Cline Brandt Kochenower & Co., P.A.

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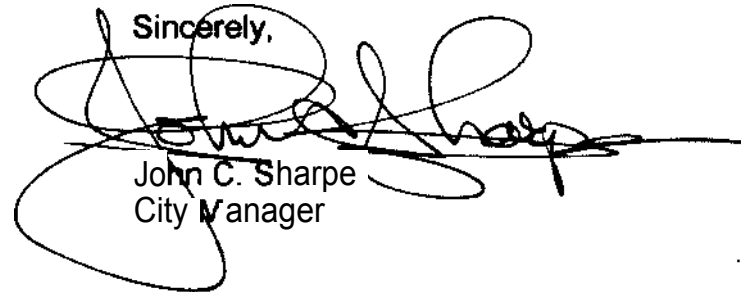
September 6, 2006

■ Timely Accurate Reporting to State Treasurer

While the Clerk of Court timely prepares the required monthly remittance forms via the computer software and submits to city management for review, approval, and check authorization the City timely processes checks during the city's normal accounts payable processing cycle, which occurs weekly. The city agrees to monitor the timeliness of such remittances in the future.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Sharpe", is written over the typed name. The signature is stylized with loops and a long horizontal stroke at the end.

John C. Sharpe
City Manager

JCS/tb

cc: Charley McNair, Director of Public Safety
Danny Crowe, City Attorney
Robert Milhous, City Auditor